FISCAL NOTE

SB 1328 - HB 1531

April 9, 2001

SUMMARY OF BILL:

- Makes technical changes to existing law regarding the authority of municipal utilities, utility districts, local governments, and public building authorities to enter into interest rate swap or exchange agreements, agreements establishing interest rate floors or ceilings, and other interest rate hedging agreements and options with respect to all or any portion of any issue of bonds or notes.
- Authorizes local development authorities and the Tennessee Housing Development Agency to enter into interest rate swap or exchange agreements, agreements establishing interest rate ceilings or floors, or other interest rate hedging agreements.
- Authorizes local development authorities and the Tennessee Housing Development Agency to enter into agreements to sell their bonds to be delivered not more than five years from the date of execution of the agreement or, in the case of refunding bonds, the first date on which the bonds can be optionally redeemed resulting in cost savings or at par.
- Specifies that counties with respect to school bonds may enter into interest rate swap or exchange agreements, agreements establishing interest rate ceilings or floors, or other interest rate hedging agreements upon receipt of a report from the Comptroller that such agreement complies with state funding board guidelines.
- Authorizes counties to enter into agreements to sell school bonds to be delivered on a date greater than 90 days and up to five years from the date of execution of such agreements or, in the case of refunding bonds, the first date on which the bonds can be optionally redeemed resulting in cost savings or at par, upon receipt of a report from the Comptroller that such agreement complies with state funding board guidelines.
- Authorizes the state funding board to establish guidelines with respect to the agreements entered into by counties under the provisions of the bill.
- Specifies that when local development authorities, the Tennessee Housing Development Agency, or counties enter into such agreements or contracts they must include a provision stating that the rights and remedies of the parties to the agreement or contract shall be governed by the laws of Tennessee or the laws of such other state or nation involved provided that the Tennessee courts have jurisdiction over any action against such agreement or contract.

ESTIMATED FISCAL IMPACT:

Decrease State Expenditures - Exceeds $100,000/Permissive

Decrease Local Govt. Expenditures - Exceeds $100,000/Permissive

Estimate assumes:

- to the extent the Tennessee Housing Development Agency, local development authorities, or counties choose to enter into agreements, as provided for in this bill, they will experience a decrease in expenditures from savings generated by such agreements. The impact depends on the market conditions, the size and term of the referenced debt, and the terms of the agreement; however, any savings are estimated to exceed $100,000 for both the state agency and the local entities.
- the affected entities will not enter into agreements unless savings are anticipated or market risk is reduced.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

James A. Davenport, Executive Director